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Mr. Goschen's one pound note

London

1892

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Mr. Goschen's One Pound Note.

A

DIGEST OF PARLIAMENTARY OPINION

ON

BANK NOTE ISSUES, &c.,

1797-1819.

Also Two Letters, signed LIBERAL UNIONIST (in the *Scotsman* Newspaper) upon the Note Circulation of the Kingdom in connection with Mr. Goschen's Small Note proposal.

BY

JAMES GRAHAME,

Chartered Accountant and Stockbroker,

Of Messrs. GRAHAME, CRUM & CONNAL, Glasgow.

LONDON:

P. S. KING & SON,

5, KING STREET, WESTMINSTER, S.W.

1892.

BY THE SAME AUTHOR,

Price 2s. 6d.; Post free, 2s. 7½d..

TABLES OF SILVER EXCHANGES.

Wherein the intrinsic and (approximate) exchange values of the rupee, the (Shanghai) tael, and the (Hong Kong) dollar are worked out in decimals of a penny, and in logarithms of pence and pounds sterling, with bar silver at prices rising by eighths of one penny, from 41⅛*d.* to 60*d.* per ounce.

LONDON:
P. S. KING & SON,
5, KING STREET, WESTMINSTER.

PREFACE.

With a few interjectional remarks caused by the narrative, I have thrown together some extracts from Parliamentary papers bearing upon the questions of the National currency, of its adequacy, and of its character.

The enormous development of commerce, external and internal, demands that the habit of money should be as free and unrestricted as the necessities of safety and solvency will permit.

In the following pages I bring back to mind the thoughts of legislators, front to front with financial and national difficulties such as we have not witnessed, and whose intellect and practical wisdom can claim to be at least equal to that of any generation of Britons.

Legislation being almost always of the nature of a compromise, we are more likely to find in the reports leading up to legislation the clear sense by which it was produced than in the enactment following thereon.

It appears well that a greater international attention should be paid to the value of national gold coinages of equal pure gold contents and weight, although a distinct national mint and form and name were retained.

Gold coin of any country would then be capable of being by agreement used indiscriminately for the purposes of money of account.

Lord Sherbrooke, I think, many years ago during the time of a Monetary Conference, suggested this as a step in the liberation of metallic currency. If a sovereign, a 25 gold franc, and a gold 5-dollar piece were adjusted to contain exactly the same number of grains of pure gold, it would be possible and probable that such coins would be equally at home for trade purposes wherever they were.

Appended are two letters which I published lately in the "Scotsman" newspaper, containing some statistics and remarks bearing principally upon the provincial note issues of the United Kingdom.

J. G.

12*th January*, 1892.

MR. GOSCHEN'S ONE POUND NOTE.

I.

THE first paper to which I draw attention is the Report of the Secret Committee appointed by the House of Lords, which began its sittings on 9th March, 1797, to enquire into the causes which produced the Order in Council of the 26th February, 1797, restricting the Bank from paying gold for its notes, and which, the Lord President (Lord Chatham) in the Chair, reported on the 27th April, 1797. The summary of this Report is as follows:—(*Report of the Lords' Committee of Secrecy. Order of Council, 26th February*, 1797, *relating to the Bank. Ordered by the House of Commons to be printed 6th February*, 1810, *paper* 17).

1. That the monetary circulation consists principally (*a*) in London and its neighbourhood, either of Bank of England notes or gold coin. (*b*) In the provinces of England and in Scotland, either of the Promissory notes of the Country or Scottish Banking Companies, payable on demand, or gold coin.
2. That Inland Bills are not circulation in the sense of a bank note, but are mere transfers of debt, and as such are not cash.
3. That in London the quantity of Bank notes much exceeded the amount of coin in circulation.
4. That in the Country, and particularly in those parts of the Country where commerce and

manufacture was small, there was reason to conclude that the quantity of Bank notes in circulation was proportionately less than in the Metropolis.

5. That the Bank of England is the head of all circulation, and being so is sensible of every deficiency of coin in the Country.
6. That the note circulation of the Country previous to 1797 reached its greatest height in 1792.
7. A great portion of the Report deals with the conditions, political and commercial, which led to the Order in Council, but with regard to circulation they report, that without expressing any opinion on so delicate a question, they thought it their duty to call the attention of the House to the fact that some of the persons examined by them had expressed a strong opinion of the inconvenience caused by the conduct of the Bank in diminishing their notes in circulation and in restricting their discounts.

   One of these witnesses (Mr. H. Thornton) was of the opinion that an increased quantity of Bank notes, proportioned to the increased occasion for them, must tend to prevent a demand for gold coin rather than to promote it, and that if the issue of notes is considerably less than the occasions of the mercantile world require, a run upon the Bank would be the consequence.

   Note.—Of course this means that for purposes of settlement people must have either coin or its equivalent, and if the equivalent is deficient

then coin must be taken from place to place and the central store diminished, when it would probably transpire that so far as commercial requirements were concerned it was merely performing a circuitous return to its point of start for purposes of settlement, which would have been as fully and more conveniently effected by Bank notes.

But in addition it appears that the proceedings of the Bank had led to unnecessary hoarding and to temporary speculations in the chief medium of exchange against general commercial interests.

8. On the 25th February, 1797, the surplus in favour of the Bank, exclusive of the debt due to the Bank by Government, was £3,826,890.

II.

The next papers I have to observe upon are the Reports (1 and 2) of the Secret Committee on the expediency of the Bank resuming cash payments, of which Sir Robert Peel was Chairman. This Committee presented its *first* Report on the 5th April, 1819. In this preliminary Report they state (*a*) their confident expectation that they will be able to fix a period and recommend a plan for the final removal of the existing restriction on the Bank; (*b*) that the execution of these plans would be materially obstructed by a continuance of the drain upon Bank treasure consequent upon the engagement of the Bank to pay in cash all notes dated earlier than 1st January, 1817, and of fractional sums under £5; (*c*) and therefore recommend the passing of a Bill

restraining all such payments in gold coin until the Report of the Committee had been considered and legislated upon.

The next Report of the Secret Committee of the House of Commons on the expediency of the Bank resuming cash payments is preceded with a preamble setting forth the history of the restriction upon cash payments imposed upon the Bank by the Order in Council of 1797, that order being to the effect of prohibiting the Bank of England from paying their notes in cash until Parliament had considered the question. The Report states that this order was sanctioned and confirmed by the Act of 3rd May, 1797; but its duration was restricted until 24th June following, after which period it was again continued until one month after the next Session of Parliament, and again by an Act of that Session until *one month* after the conclusion of the War by a definitive Treaty of Peace.

In 1802 (the reporters go on to say) the provisions of the Act were continued until the 1st March, 1803. They were then continued for six weeks after the commencement of the next Session of Parliament, before which time, war having again broken out, they were continued until *six months* after the ratification of a definitive Treaty of Peace.

Note.—The writer of the article "Banking" in the latest edition of the "Encyclopædia Britannica" confuses the final step in 1803 with the preliminary step of 1798. In touching upon this I may point out that the same writer speaks (p. 320) of Sir Robert Peel's Act of 1819 as 59 George III., cap. 78. Should this not be 59 George III., cap. 49?

In 1814, an Act was passed continuing the restriction until 25th March, 1815, when another Act, while expressing the desirability of the Bank returning to cash payments as soon as possible, extended the restriction to 5th July, 1816.

In 1816 the restriction was re-inforced until 5th July, 1818, the preamble again expressing the desirability of the Bank resuming cash payments, but deferring the fixing of the time for that resumption, in order that the same might be arranged to take place in the manner most suitable to public convenience.

In 1819 unforeseen circumstances having occurred which rendered the continuance of the restriction expedient, it was so continued for another year; which, unless further continued, would cease on the 5th of July, 1819, just two months after the date of this second Report of the Secret Committee.

The Committee then address themselves to an analysis and comparison of the evidence given before them and append certain tables and papers substantiating and illustrating the views and opinions of the witnesses. They divide their Report into three heads, the first being the state of the Bank of England.

Position of the Bank of England.

The Committee state that at 30th January, 1819, the Bank, irrespective of £14,686,800 due to it by the Government, had a surplus of £5,202,300, thus making the total surplus of the Bank £19,889,100.

The next point investigated was the amount of cash and bullion held by the Bank since 1797, and the Committee state that the Bank held a larger

amount of cash and bullion in the year 1817 than at any period since their establishment.

From the beginning of 1818, the stock of bullion diminished, owing, the Committee state, to the Bank (in conformity with their powers under the original restriction Act) having entered into engagements to pay certain groups of their notes in cash, viz., notes of 1 and 2 pounds dated prior to 1st January, 1812 (*resolution*, 28*th November*, 1816); notes of 1 and 2 pounds dated prior to 1st January, 1816 (*resolution* 17*th April*, 1817); notes of every description dated prior to 1st January, 1817 (*resolution*, 18*th September*, 1817).

The Committee state that while the Bank acted thus under the belief that this gradual return to cash payments would facilitate the complete resumption of payment in specie, it had the opposite effect, and that gold was taken from the Bank not for the purposes of internal circulation, but for sale as bullion at home and abroad.

The average circulation of the Bank showed a considerable increase in the half-year, December 1817, being then £29,210,035; in the previous half-year, £27,339,768; and for the four half-years preceding, only £26,771,914.

It may be noted here, from Appendix No. 10 to the Report, that the total circulation was composed thus:—

At 26th Feb., 1798—

Total.	Notes of £5 and upwards.	Bank Post Bills.	Notes under £5.
£12,850,085.	£10,856,188.	£551,549.	£1,442,348.

At 26th Feb., 1817—

£27,058,578.	£17,465,628.	£1,376,416.	£8,143,506.

It was the firm conviction brought to their minds by the evidence brought before them, which induced the Committee to make the recommendation in their first Report (5th April 1819), that the Bank should be restrained from making payments in gold.

The Committee enter into an elaborate review of the position of the Bank as a lender of money to the Government, which has now no practical interest, and then enter into the next but the main question of their enquiry, namely—

> The expediency of reverting to cash payments at the period fixed by law for their resumption.

They state that, at the time of their Reports, the Bank had made a very considerable reduction in the amounts of notes outstanding compared with their amount at the commencement of the year 1818, and they give the following figures in demonstration:—

Average amount of notes outstanding, July to December, 1817....	£29,210,035
Average amount of notes outstanding, January to July, 1818	27,954,518
Average amount of notes outstandstanding, July to December, 1818	26,487,859
Average amount of notes outstanding for 3 months ending March, 1819	25,794,460

The Committee on this head state that, if the Legislature determined on the resumption of cash payments on the 5th July, 1819, the Directors of the Bank would be compelled, in the protection of their establishment, to make a very sudden reduction of that portion of the currency under their control.

They especially quote the evidence of Mr. Alexander Baring, to the effect that the resumption of cash payments could only be effected by a reduction of issue drawing in bullion; that the Bank could not pay in specie with any expectation of continuing to do so until there was a considerable portion of specie already in circulation; that by no process, even if the effect of any sudden reduction of issues were disregarded, could the sum necessary for the purpose be brought into the country within the period mentioned (one year); that the reduction of issue for the purpose of drawing in bullion must always be accompanied by some restraint and inconvenience to every branch of industry, and, if forced within a twelvemonth, would be intolerable.

Mr. Gladstone's (afterwards Sir John Gladstone) evidence is also quoted, and to this effect, that the influence of the reduction of the issues of the Bank is of a secondary nature; that, in ordinary times, their reduction by two to three millions would not be felt, but that, at a period of much overtrading and a great accumulation of Foreign goods in the country, and of British goods for British account in foreign markets, whatever tends to narrow the means of circulation acts in a much greater degree than it would in other times.

The Committee, after fully considering the evidence, recommended the continuance of the restriction beyond the date fixed for its determination, viz., the 5th July, 1819.

Under the third head of their Report the Committee deal with various questions cognate with their particular enquiry.

They endeavour to form an estimate of the amount of specie in circulation.

They state that the Directors of the Bank of England, on the 25th March, 1797, estimated the amount of specie in circulation at about £30,000,000.

Mr. Harman stated in evidence that, before the restriction of cash payments, the amount of gold in the country had been estimated by Lord Liverpool at thirty millions. Mr. Baring estimated that the amount of sovereigns required to exclude the £1 or £2 note would be from forty to fifty millions.

The Committee go on to say, that "the data on "which any reasoning with respect to the metallic "currency that will be required subsequently to the "withdrawal of the restriction are so imperfect, that "they abstain from offering any decisive opinion "upon the subject, but they think Mr. Baring had "over-rated the amounts;" and they add, "with "respect to the disposition of the public to require "gold in currency in preference to notes under £5, "a conclusion may be drawn from the testimony of "other witnesses differing from that which Mr. "Baring has formed."

They point out that when the Bank undertook to pay their notes in cash in 1817, no preference for coin was shown until the foreign exchanges caused a demand for gold for exportation.

They then enter into the question of the par of exchange, which depends upon a universal and constant law, and therefore may be put aside when discussing the question of note issues. Following on this elaborate Report, the Committee propose for the consideration of Parliament their

Plan.

1. That the Bank must give gold (in quantity not under 60 ounces) assayed and stamped, of standard fineness, at an established price of £3. 17*s.* 10½*d.* per ounce, and in exchange for their notes at that rate.

   This means a delivery not of sovereigns or gold coin, but of unminted but assayed gold bullion for Bank notes, and consequently could not take the place of paper currency.
2. That this liability to give gold bullion in exchange for notes at the rate mentioned should subsist for not less than 2 and more than 3 years from the 1st of May, 1821, and at the end of that period cash payments should be resumed.
3. That on a day not later than 20th February, 1820, the Bank should be obliged to deliver gold bullion assayed and stamped and in quantity as before mentioned at the rate of £4. 1*s.* per ounce.
4. That on or before the 1st October, 1820, the Bank shall pay their notes in gold, at the rate of £3. 19*s.* 6*d.*, and on and before the 1st May, 1821, at the rate of £3. 17*s.* 10½*d.*

   For making these proposals the Committee give their reasons, and they make the last the cardinal suggestion.

They argue (in 1819) that if the Bank was required to pay after 21st May, 1821, a given quantity of notes at the mint price, a security against fluctuation in the value of the paper currency would be provided.

It will be observed that in speaking of gold, the Committee mean gold bullion of standard fineness and not coined gold, for they add that there cannot when this plan is acted upon, be any demand for gold for internal circulation, and that whatever quantity it would be necessary to provide with the view of replacing the small notes in circulation might therefore be dispensed with.

They quote Mr. Baring, to the effect that by adopting such a plan, the whole amount of bullion necessary must be the amount required from time to time to balance the variations in the amount of currency, and such amount as the public might hoard. Hoarding, he pointed out, could not go on to the same extent in bullion as under a system of coin, because there could be no small hoards.

In dealing with subsidiary matters, the Committee refer to the small notes in circulation and to the dangers of forgery, and on these points I shall quote their report as applicable to the present time *in extenso*:

"Your Committee are aware that it may be "objected to the plan of bullion payments (*i.e.*, *pay-* "*ments for notes in uncoined gold*) which they have "recommended. First: That by necessarily con- "tinuing the notes below £5 in circulation, it continues "the present inducements to the crime of forgery; "and secondly: That by requiring the presentation of "a large amount of notes in demand for gold it gives "to the possessor of notes to that amount, an accom- "modation which the holder of a smaller quantity will "not possess.

"On the first of these objections your Committee "observe, that it is scarcely possible to calculate on a re-

"sumption of specie payments, accompanied with the "total exclusion of the small notes, at a period, much if "at all, earlier than that at which it may take place if "the recommendation of the Committee be adopted. "When the Legislature was at former periods con- "templating the removal of the restriction the necessity "of continuing the circulation of the small notes for "some time subsequently had been foreseen, and is at "present provided by law. It is true that after the "resumption of cash payments, the amount of small "notes in circulation would probably be diminished; "but there seems no reason for concluding that the "temptation to forgery, which must depend on con- "siderations of risk and profit, would be diminished "in proportion to the decrease of these notes, pro- "vided they were not altogether excluded. The "force of this objection will also be lessened pro- "portionately to the degree of success, by the attempts "that are at present making to devise means of "rendering the imitation of Bank notes more "difficult."

Here it may be observed that the system of the Clearing House, and the rapid return of notes to their birth-place, renders the profession of a note forger an extremely hazardous one, because a note's course can be traced from hand to hand; but until the engines and machinery of a coin-forger are discovered, or he is caught passing the base metal, the moment he gets rid of the spurious coin into innocent hands his peril is almost *nil*.

The Committee then go on to say: "With respect "to the second objection to bullion payments, your "Committee remark that the object of the plan

"which they recommend is, by securing a control "over the quantity of the circulating medium, to "regulate the value of the whole, and to maintain "paper on a par with gold. While this object is "effected, the holder of notes to whatever amount, "has a security for their value, which without this "plan he could not possess during the interval which "must precede the resumption of cash payments."

The Committee then discuss the probable amount of Country Bank Notes in circulation. They deal with the stamp issues, and basing an approximate calculation upon the assumption that the note might on an average circulate three years, come to the conclusion that the highest aggregate amounts to which they could have reached was £29,232,870. But the Committee, on balancing evidence, say that they are led to infer that this branch of the paper circulation of the Kingdom has never exceeded from 20 to 25 millions.

They infer from the returns furnished by the three Chartered Banks of Scotland, that, whatever was the issue in 1813, not less than one-third was withdrawn from circulation in 1816, since which an equal amount has been re-issued.

They indicate even a greater reduction of the Country Bank issues in England at that period.

And they conclude their Report by stating that they have refrained from reasoning upon the effect produced upon the value of our currency by variations in the numerical amount of the notes issued by the Bank of England, being of the opinion that no satisfactory conclusion can be drawn from a mere reference to the outstanding issues of the Bank at any given time.

A Secret Committee of the Lords also reported on the 7th May, 1819, upon the condition of the Bank of England, and with respect to the expediency of the Bank resuming cash payments.

It appears to a comparative reader of the documents that, for concise and harmonious expression, the Upper House had the best of it, both in their historical and argumentative portions of these two Reports.

It will be unnecessary, however, to repeat the history which led up to the position, but we can pass at once to their second Report.

They presume that they have taken as their guide the decided and repeated expression of Parliament, that the removal of the restriction upon cash payments by the Bank, in other words, the restoration of a metallic currency, is an object which should be accomplished as soon as it was safe and practicable.

It appears from the Lords' Report that, on the 3rd January, 1799, the Directors of the Bank, in pursuance of the powers reserved to them, gave notice that on the 14th of that month they would pay in cash all fractional sums under £5, and on the 1st February, 1800, pay cash for all notes of one or two pounds dated prior to 1st July, 1798, or exchange them for new notes of the same value at the option of the holder.

The history of the restriction is continued, and is the same as in the Report of the Commons, but, with this addition, that the Lords' Committee mention that, subsequent to the restriction upon the Bank of England, similar restrictions were enforced and continued upon the Bank of Ireland.

In the course of their remarks the Committee mention that they had been naturally led to make enquiries as to the circulating medium on three points:—

1. The amount previously to the Bank restriction in 1797, when it consisted partly of gold and partly of paper.
2. The amounts during the interval when there was little or no gold in circulation; and
3. What was likely to be its amount and composition when a metallic standard was restored.

On the first head they estimate the amount of gold in circulation at 5 millions below

Lord Liverpool's estimate, viz.	£25,000,000
Bank of England Notes	10,000,000
Country Notes, including Scotland	7,000,000
Giving a total in circulation before the restriction, exclusive of silver, &c.	£42,500,000

On the second head, after a comprehensive comparison of facts and estimates, they came to the conclusion that the combined note issues of the Bank of England and Country Banks varied from £42,000,000 to £48,000,000, between 1810 and 1818, and that it was highest in 1814 and lowest in 1816.

With regard to this composition of the currency when a metallic standard was restored, and the probable amount of that currency, they say, with regard to the latter, that it is impossible to form any judgment, but with regard to the former head they say:

"What proportion the component parts of the "circulating medium may bear to each other after "the resumption of cash payments it is difficult to

" conjecture. They must evidently be influenced by " the future regulations of Parliament with respect " to the nature and description of the paper currency.

" If the paper currency is to be confined, as it was " within a short period before the Bank restriction, " to the issue of notes of £10 and upwards by the " Bank of England, and of £5 and upwards by the " Country Banks, the necessity for a very large " amount of gold coin for smaller payments is " evidently indispensable; should Parliament think " proper to continue both to the Bank of England " and to the Country Banks, the liberty of issuing " notes of a lower denomination, and particularly of " £1 and £2, this permission would probably have the " effect of keeping up a paper circulation bearing a " much larger proportion to the whole than in the " former case, and would so far diminish the necessity " of an extensive circulation of gold coin. But though " it would diminish that necessity, the degree in which " it would diminish the demand for gold coin can " only be stated as matter of conjecture. The estab- " lished habits of the public may operate so decidedly " in favour of a paper circulation, that there might " be only a small demand for gold coin; and as far " as any judgment can be formed from the short " interval, during which the Bank issued gold in " exchange for these notes, before the rise in the " market price of gold occasioned a demand for " exportation, this might probably be the case."

One is tempted to leave the special circumstances of the time and of the Bank, in search of the general, natural, and economical grounds which were occupied by the Committee when delivering their judgment.

The Committee immediately advert to " THE PLAN " previously delineated in this paper, and which had been suggested to them. Of this plan they say the leading principle was by permitting the Bank to redeem its notes in gold bullion at the Mint price in place of in coin, to restore by the safest and speediest means a metallic standard as a regulator of its paper currency.

The Committee approved of this plan because it afforded various advantages.

1. It established a control of as well as a process of cash payments.
2. It confined the replacement of paper by bullion to the larger paper.
3. It continued to the Bank and to the Nation all the advantages to be derived from the employment of a capital equal to the amount of all small notes in circulation, whether of the Bank of England or of the Country Banks.

I have alluded before in this paper, and in my letters which accompany it, to the lesser liability of forgery of Bank notes, as compared with the coinage of base money, and in regard to the recollection of the old objectionable note, the stamp duty imprinted upon every country note issued, as a matter of economy kept it in circulation to the last possible moment. After the duty was compounded, there was no reason why the Scottish or English Country Bank note should not, of whatever denomination, be as clean and pleasant as a note of the Bank of England. The system of the Clearing House adds to the possibility of every Bank of Issue keeping its notes in a proper and pleasant shape, and as a matter of general fact they now are so.

LETTERS TO THE "SCOTSMAN."

I.

Mr. Goschen's Currency Scheme and the One Pound Note in Ireland.

Glasgow, December 18, 1891.

Sir,—I was struck with a remark in your London correspondent's letter appearing in your issue of the 15th inst., stating that it was curious that although there were £400,000 more of £1 notes in circulation in Scotland than two years ago, and £100,000 more than last year, the circulation of the £1 note in Ireland, instead of expanding, had contracted, and is now about £100,000 less than last year. He adds that no one is bold enough to say, however, that this indicates any growing dislike to the £1 note in Ireland.

I hope to show in this letter that the contraction of the £1 note issue in Ireland is only a part, and a small part, of a general contraction, and can have nothing to do whatever with the appreciation of the £1 note as currency.

It must be understood that in this letter I take my figures from the *Bankers' Magazine* of December 1890 and of December 1889, for the sake of the two years' comparison as initiated by your correspondent.

In the first place, however, I would like to point out that the note circulation of Ireland cannot fairly for that country be compared *en masse* with that of Scotland, because every one of the ten Scottish Banks

is a bank of issue; whereas of the nine Irish Joint Stock Banks, including the Bank of Ireland, six alone are banks of issue, and three of these are purely Ulster institutions.

The Hibernian Bank (capital £2,000,000), the Royal Bank of Ireland (capital £1,500,000), and the Munster and Leinster Bank (capital £375,000), are not entitled to issue notes.

The annexed Table will show that the total net decrease of circulation of Irish Bank notes under £5 amounts on the average of the four weeks ending 10th October, 1891, as compared with the same period in 1889, to £137,126.

Inspection, however, also shows that this diminution of small note circulation is mainly attributable to a falling off of £65,500 on the part of the Bank of Ireland, and of £74,099 on the part of the National Bank. Of the latter it may be remarked that it is now rather a London Bank doing business in Ireland than an Irish Bank domiciled in London, since it has ten district offices in the Metropolis.

Two of the other Banks show an increase, and two show a decrease, but the balance goes to mitigate the reduction shown by the two first-named establishments, and brings out a net reduction of the Irish note circulation under £5 of £137,126.

If this reduction was to be used as any indication of a feeling against notes under £5 in Ireland, it should be pointed out that the net circulation of the £1 notes of the Ulster Banks shows overhead an increase, and so the reduction comes to be a local falling off, confined to Midland and Southern Ireland. When we come to look at the whole Irish note circu-

lation, large and small, we will find, however, that any such indication would point with far greater strength against the note of £5 and upwards than against the notes under £5.

Reference to the Table will show that while the small note circulation of the Irish Banks has fallen £137,126, the circulation of notes of £5 and upwards has diminished by no less than £364,658, so that any such argumentative indication would strike not at £1 notes, but at notes of every amount, but principally at the larger denominations. Another fallacy in any such comparison is the fact that there is an increase in the circulation of Scottish Bank notes, both large and small, against a falling off in both descriptions in Ireland; and, further, that while no less than 71·2 of the Scottish circulation (at 10th October, 1891) consisted of £1 notes, only 43·9 of the Irish circulation consisted of notes under £5.

Any increase or decrease in the commercial requirements for note currency would, therefore, affect the small note in Scotland more than the large one, and the large note in Ireland more than the small one, as we may presume to have been the case illustrated by the figures I have given.

Briefly, we may assert with some show of reason, that the changes in the note circulation in the two countries indicate a general increase of internal commerce in Scotland, and a general decrease of internal commerce in Middle and South Ireland—for the Ulster Banks show that that province must be excepted from the rule.

It is but another bit of evidence added to what I have already sent to your columns, that the persistent

and mischievous agitation of the Irish factions will keep that part of Ireland where their influence is strongest rather going back than forward. What the state of Ireland and Irish credit would have been if Mr. Parnell had got what he wanted, and what it would be if Mr. Dillon got his way or Mr. Redmond got his, no imagination can realise beyond drawing a picture of utter ruin, all the more shocking because thrust on a people and a land deserving and capable, and in immediate view of the highest prosperity and happiness.

As by 8 and 9 Vict., c. 37, sect. 6, the notes of the Bank of England may be circulated, but are not a legal tender in Ireland, Mr. Goschen's Scheme, so far, does not appear to affect the note circulation of that country. Why Government should safeguard so strenuously the Bank note circulation of the country —the smallest instant obligation of the Banks of issue to the public—while the enormously greater instant liabilities to the public in the shape of interest-bearing deposits depend solely for their safety on (1) the management of the particular bank, and (2) on the value of the reserve liability attached to the Bank share, may appear an anomaly, but it is not so. Any one making a Bank deposit selects his Bank, and by selection confides his money there, and is thus understood to take care of himself; but in a society where there are many Banks of issue, and notes of all sorts fly about, it becomes necessary, for the protection of the daily transactions of the community, to have a system of National Bank notes, as in America, or, as here, to protect the note by causing Banks of issue to hold coin and bullion in excess of their authorised circulation.

II.

Mr. Goschen's £1 Note Scheme for England and the Note Circulation of the United Kingdom.

Glasgow, December 26th, 1891.

Sir,—In supplement of my letter of the 18th inst., which you were good enough to publish, I append a comparative note of the Irish Bank note circulation as at December, 1861, and as at October, 1891, a period of thirty years.

From that Table it will be seen that, although the net decrease of the whole note circulation of the Irish Banks of issue was £39,049 at October, 1891, as compared with December, 1861, the note circulation of the three Ulster Banks had risen £568,099 in the same period, or about 50 per cent. on their circulation in 1861; and of the two Irish Banks of issue managed in London, that the National had only increased its circulation by £36,667, while the Provincial had fallen off by no less than £245,315.

Thus by the evidence of its note circulation Ulster is keeping progressively (as regards internal trade) abreast of Scotland, where, as I pointed out in my last letter, the note circulation was in October, 1891, 50 per cent. over that of October, 1855.

The note circulation of the Irish Banks of issue doing their chief business in the Middle and South of Ireland (including the Bank of Ireland) has fallen £607,148 during the period 1861-1891, or about 12 per cent. on their total circulation in December, 1861,

thus betokening a very different course of internal commerce when compared with Ulster.

If we take a general view of the position of the note circulation of the United Kingdom, we will find that the note circulation of Scotland and of Ireland is considerably higher per head than that of England and Wales; and, moreover, that there is a steady, gradual and natural decay in the fixed issues of the English private and Joint Stock Banks which does not obtain in Scotland or in Ireland.

Since 1844-5 no fixed issues have lapsed in Ireland. Only two fixed issues have lapsed in Scotland—namely, those of the Western Bank and the City of Glasgow Bank, together, £410,859—whereas in England and Wales the note issues of no less than 129 private and 35 Joint Stock Banks, amounting to £3,889,074, have lapsed since 1844.

That this is a progressive state of lapsing may be seen from the fact that even since 1888 the issues of 17 private and of 5 Joint Stock Banks in England, amounting to £457,416, have lapsed; and to see that it is a natural state, we have only to look at the amalgamation of the smaller private to Joint Stock Banks, and the disappearance of other small Banks with their petty issues, and to be assured that, sooner or later, England and Wales must practically look to the Bank of England alone for an adequate and suitable note circulation.

As to the danger of forgery in connection with Mr. Goschen's scheme, it is quite as easy, and no more criminal, to forge a £5 note as it is to forge a note of £1, and five times as profitable to the knave who does it.

Bank.	Average Circulation of Notes under £5 by Irish Banks of Issue having their Head Offices in Ireland.		Increase.	Decrease.	Net Decrease.
I.	For Four Weeks ending 10 Oct., 1891.	For Four Weeks ending 12 Oct., 1889.			
	£	£	£	£	
Bank of Ireland	951,575	1,017,125	—	65,550	
Belfast Bank	280,714	256,050	24.664	—	
Northern Bank	275,849	292,278	—	16,249	
Ulster Bank	338,568	345,156	—	6,588	
			24,664	88,567	£ 63,903
II.	Average Circulation of Notes under £5 by Irish Banks of Issue having their Head Offices in London.				
	£	£	£	£	
National Bank	522,628	596,727	—	74,099	
Provincial Bank	427,207	426,331	876	—	
					73,223
					137,126
III.	Average Circulation of Notes of £5 and upwards by Irish Banks of Issue having their Head Offices in Ireland.				
	£	£	£	£	
Bank of Ireland	1,523,200	1,668,775	—	145,575	
Belfast Bank	261,494	267,779	—	6,285	
Northern Bank	232,297	242,641	—	10,344	
Ulster Bank	409,023	427,512	—	18,489	£ 180,693
IV.	Average Circulation of Notes of £5 and upwards by Irish Banks of Issue having their Head Offices in London.				
	£	£	£	£	
National Bank	804,402	934,655	—	130,253	
Provincial Bank	341,242	394,954	—	53,712	
					183,965

V.	Total Average Note Circulation of the whole Irish Banks of Issue.		Brought forward		183,965
					364,658
	£	£	£	£	
Bank of Ireland	2,474,775	2,685,900	—	211,125	
Belfast Bank	542,208	523,829	18,379	—	
Northern Bank	508,146	534,919	—	26,773	
Ulster Bank	747,591	772,668	—	25,077	
National Bank	1,327,030	1,531,382	—	204,352	
Provincial Bank	768,449	821,285	—	52,836	
	6,368,199	6,869,983	18,379	520,163	501,784

VI.	Total Average Note Circulation of the Scottish Banks of issue.					
	Four Weeks ending 10th October, 1891.			Four Weeks ending 12th October, 1889.		
	Notes £5 and upwards.	Notes under £5.	Total.	Notes £5 and upwards.	Notes under £5.	Total.
	£	£	£	£	£	£
	1,852,725	4,573,342	6,426,067	1,791,859	4,194,729	5,986,588
Increase over 1889	60,866	387,613	439,479			

Note.—The total circulation of the Scottish Banks of issue at 1st October, 1855, was £4,280,000; the total circulation of the Irish Banks of issue at 1st October, 1855, was £6,875,000; showing that while the active note circulation, indicating increasing business in Scotland, had increased over 50 per cent in 1891, the active note circulation of Ireland had rather gone back in thirty-six years, but this again does not apply to settled and industrious Ulster. These figures are from "Haydn's Book of Dates."

It is true that the fixed issue of the Bank of England has since 1844-5 been enlarged by £2,450,000—or about 17 per cent.—but since then the population of England and Wales has risen from 16,000,000 to 29,000,000, an increase of 13,000,000 souls, or over 80 per cent. For the sake of a rough comparison of the note circulation of the three parts of the United Kingdom, the following may be useful:—

Bank of England circulation at 4th November, 1891	£32,304,673
English private and Joint Stock Banks at 10th October, 1891	2,298,523
	£34,603,196
Irish Banks of issue at 10th Oct., 1891	6,368,199
Scottish Banks of issue at 10th Oct., 1891	6,426,067
	£47,397,462

Population, 1891—	
England and Wales	29,001,018
Ireland	4,706,448
Scotland	4,033,103
	37,740,569

This would indicate a note circulation per head—

In the whole United Kingdom	£1 5 0
In England and Wales	1 3 10½
In Ireland	1 7 0
In Scotland	1 11 10½

In one respect this comparison is misleading, because whereas, as mentioned before, the population of England and Wales has increased since 1844-5 by 80 per cent., that of Scotland by (say 1,300,000) 50 per cent., the population of Ireland has decreased (say 3,300,000) about 40 per cent. If as in 1844-5 (before the potato famine) the population of Ireland was now 8,200,000 in place of 4,706,000 as at present, the average note circulation per head of the whole United Kingdom would be considerably affected, while that of Ireland would be reduced to 15*s.* 6*d.* in place of £1. 7*s.* per head.

In 1846, the year preceding the famine, the Irish note circulation was £7,260,000, and it fell by drops

to £4,310,000 in 1849. Again it rose to £7,500,000 in 1876, and remained over £7,000,000 until 1883. Then began the Land League, with all its evils, and we see the Irish note issue (a sure barometer of general national progress or retrogression) exactly within a few figures of where it was in 1855.—I am, &c.,

I. Banks of Issue doing business principally in Mid and South Ireland.	Irish Bank. Note circulation of all amounts. 16 Dec. 1861.	10 Oct. 1891.	Increase.	Decrease.
	£	£		£
1. Bank of Ireland	2,873,275	2,474,775	—	398,500
	Irish Banks of Issue with Head Offices in London.			
	£	£	£	£
2. National Bank	1,290,363	1,327,030	36,667	—
3. Provincial Bank	1,013,764	768,449	—	245,315
	£ 2,304,127	£ 2,095,479	—	£ 208,648
	£ 5,177,402	£ 4,570,254	—	£ 607,148
II. Ulster Banks of Issue.	Irish Banks of Issue doing business in Ulster mainly.			
	£	£	£	
1. Belfast Bank	438,509	542,208	103,699	—
2. Northern Bank	310,046	508,146	198,100	—
3. Ulster Bank	481,291	747,591	266,300	—
	£ 1,129,846	£ 1,797,945	£ 568,099	—
Grand Total of Ireland	£ 6,307,248	£ 6,268,199	—	£ 39,099

END OF
TITLE